



---

# **RENN Fund, Inc.**

---

## **Semi-Annual Report**

June 30, 2018

# RENN FUND, INC.

## TABLE OF CONTENTS

JUNE 30, 2018

---

Shareholder Letter .....	1
Financial Statements:	
Schedule of Investments .....	2
Statement of Assets and Liabilities .....	4
Statement of Operations .....	5
Statements of Changes in Net Assets .....	6
Statement of Cash Flows .....	7
Financial Highlights .....	8
Notes to Financial Statements .....	9
Other Information .....	16
Service Providers .....	17

# RENN FUND, INC.

## SHAREHOLDER LETTER

### JUNE 30, 2018 (UNAUDITED)

---

Dear Shareholders,

We are pleased to present the RENN Fund Inc. (“Fund”) Semi-Annual Report for the six-month period ended June 30, 2018. During the period, there have been a number of positive developments within the Fund. To begin with, AnchorFree was acquired by a strategic buyer, a transaction in which the Fund tendered its common and preferred shares. The total cost of our AnchorFree investment was \$512,783. In the acquisition, we received total proceeds of \$1,900,820 – a truly successful investment, indeed. This equipped the Fund with almost \$2 million in additional cash, which is now available to undertake new positions.

Secondly, one of our largest holdings, Bovie Medical, announced a transaction in which it will sell (subject to shareholder approval) its core legacy business to Symmetry Surgical Inc., for gross proceeds of \$97 million in cash. Bovie expects that the net cash received will be approximately \$70 million, which is almost half of the entire company’s market capitalization of \$155 million. On its face, this seems to be a reasonable transaction. It allows Bovie to monetize its lower growth electrosurgical assets, while providing new capital to fund its expansion and investment into the higher growth J-Plasma surgical franchise. If this transaction is approved and, ultimately, executed, the nearer term need to raise debt or equity capital will be eliminated. This would be a welcomed departure from the company’s past experience of relying on market conditions, sometimes in adverse situations, to secure capital.

During the first six months of 2018, the Fund continued to add to its investment in Texas Pacific Land Trust, which, we believe, continues to be one of the more uniquely undervalued companies (actually, a Trust) operating in the Permian Basin. The Fund also established small positions in two other oil and gas related companies: Civeo Corporation and Mammoth Energy Services.

We continue to make investments that we believe will provide attractive long-term returns for our shareholders while minimizing company-specific fundamental risks. We also continue to evaluate ways to expand the assets of the Fund and to broaden the shareholder base. In addition, our efforts to reduce the overall expense ratio of the Fund are proceeding well, a benefit that has accrued to all shareholders. We thank you for your continued support.

Horizon Asset Management LLC

**RENN FUND, INC.**  
**SCHEDULE OF INVESTMENTS**  
**AS OF JUNE 30, 2018 (UNAUDITED)**

Shares or Principal Amount	Company	Cost	Value <sup>(1)</sup>
<b>MONEY MARKET FUNDS – 45.79%</b>			
3,459,756	Fidelity Institutional Government Portfolio Fund - Institutional Class, 1.77% .....	\$ 3,459,756	\$ 3,459,756
<b>Total Money Market Funds ..</b>		<u>3,459,756</u>	<u>3,459,756</u>
<b>U.S. GOVERNMENT AND AGENCIES – 48.76%</b>			
\$3,000,000	United States Treasury Bill 1.803%, 09/20/2018 .....	2,987,546	2,987,499
700,000	United States Treasury Bill 1.807%, 09/20/2018 .....	697,086	697,083
<b>Total U.S. Government and Agencies .....</b>		<u>3,684,632</u>	<u>3,684,582</u>
<b>CONVERTIBLE BONDS – 0.00%</b>			
<i>Oil and Gas – 0.00%</i>			
1,000,000	PetroHunter Energy Corporation 8.50% Maturity 12/31/2014 <sup>(2)(3)</sup> .....	1,000,000	—
<b>Total Convertible Bonds .....</b>		<u>1,000,000</u>	<u>—</u>
<b>COMMON EQUITIES – 50.38%</b>			
<i>Medicinal Chemicals and Botanical Products – 0.88%</i>			
193,070	FitLife Brands, Inc. <sup>(2)</sup> .....	9,131,688	66,609
<i>Oil and Gas – 13.43%</i>			
4,000	Civeo Corp. <sup>(2)</sup> .....	16,542	17,440
140	Mammoth Energy Services, Inc. ....	5,287	4,754
808,445	PetroHunter Energy Corporation <sup>(2)</sup> .....	101,056	—
1,428	Texas Pacific Land Trust ....	678,513	992,960
		<u>801,398</u>	<u>1,015,154</u>

Shares or Principal Amount	Company	Cost	Value <sup>(1)</sup>
<b>COMMON EQUITIES – 50.38% (Continued)</b>			
<i>Securities and Commodity Exchanges – 0.05%</i>			
18	Cboe Global Markets, Inc. . .	\$ 2,294	\$ 1,873
12	CME Group, Inc. ....	1,830	1,967
		<u>4,124</u>	<u>3,840</u>
<i>Securities, Commodity Contracts, and Other Financial Investments and Related Activities – 0.62%</i>			
5,460	Bitcoin Investment Trust ....	66,830	46,574
<i>Surgical &amp; Medical Instruments &amp; Apparatus – 35.40%</i>			
615,000	Bovie Medical Corporation <sup>(2)</sup> .....	1,470,958	2,675,250
<b>Total Common Equities .....</b>		<u>11,474,998</u>	<u>3,807,427</u>
<b>TOTAL INVESTMENTS – 144.93% ...</b>		<b>\$19,619,386</b>	<b>10,951,765</b>
<b>LIABILITIES LESS OTHER</b>			
<b>ASSETS – (44.93%) .....</b>			<u>(3,395,312)</u>
<b>NET ASSETS .....</b>			<b><u>\$ 7,556,453</u></b>

<sup>(1)</sup> See Note 5 - Fair Value Measurements.

<sup>(2)</sup> Non-Income Producing.

<sup>(3)</sup> The PetroHunter Energy Corporation (“PetroHunter”) note is in default as of December 31, 2014. The note is valued on an as converted basis consistent with prior years, using PetroHunter’s observable stock price of \$0.0000. During 2016 PetroHunter declared Chapter 7 bankruptcy. The Fund is attempting to recover amounts owed to it by PetroHunter through that process; however, there is no way to estimate what amount, if any, might be recovered.

# RENN FUND, INC.

## SCHEDULE OF INVESTMENTS (CONTINUED)

AS OF JUNE 30, 2018 (UNAUDITED)

Security Type/Sector	Percent of Total Net Assets
Money Market Funds .....	45.79%
U.S. Government and Agencies .....	48.76%
Convertible Bonds .....	0.00%
<b>Common Equities</b>	
Medicinal Chemicals and Botanical Products .....	0.88%
Oil and Gas .....	13.43%
Securities and Commodity Exchanges .....	0.05%
Securities, Commodity Contracts and Other Financial Investments and Related Activities .....	0.62%
Surgical & Medical Instruments & Apparatus .....	35.40%
<b>Total Common Equities</b> .....	<b>50.38%</b>
<b>Total Investments</b> .....	<b>144.93%</b>
Liabilities Less Other Assets .....	(44.93%)
<b>Total Net Assets</b> .....	<b>100.00%</b>

See accompanying Notes to Financial Statements.

**RENN FUND, INC.**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**JUNE 30, 2018 (UNAUDITED)**

**ASSETS**

Investments in securities, at value (cost \$19,619,386) .....	\$ 10,951,765
Cash .....	170
Cash held at broker .....	300,000
Receivables:	
Investment securities sold .....	27,308
Dividends and interest .....	5,130
Prepaid expenses and other assets .....	42,147
Total assets .....	<u>11,326,520</u>

**LIABILITIES**

Payables:	
Borrowings through margin account (Note 9) .....	3,683,910
Investment securities purchased .....	8,687
Auditing fees .....	47,132
Fund administration and accounting fees .....	4,812
Custody fees .....	4,489
Transfer agent fees and expenses .....	3,053
Accrued other expenses .....	17,984
Total liabilities .....	<u>3,770,067</u>

**NET ASSETS** ..... **\$ 7,556,453**

**COMPONENTS OF NET ASSETS**

Paid-in-capital .....	\$ 29,752,306
Accumulated undistributed net investment loss .....	(83,504)
Accumulated net realized loss on investments and affiliated issuers .....	(13,444,728)
Net unrealized depreciation on investments .....	(8,667,621)
<b>NET ASSETS</b> .....	<b><u>\$ 7,556,453</u></b>

**Shares outstanding no par value (unlimited shares authorized)** ..... **4,463,967**

**Net asset value, offering and redemption price per share** ..... **\$ 1.69**

Market Price Per Common Share ..... **\$ 1.53**

Market Price (Discount) to Net Asset Value Per Common Share ..... **(9.47)%**

*See accompanying Notes to Financial Statements.*

# RENN FUND, INC.

## STATEMENT OF OPERATIONS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 (UNAUDITED)

---

### INVESTMENT INCOME

#### Income

Dividends .....	\$	5,389
Interest .....		<u>20,817</u>
Total investment income .....		<u>26,206</u>

#### Expenses

Fund accounting and administration fees .....		31,622
Professional fees .....		28,349
Miscellaneous expenses .....		13,998
Transfer agent fees and expenses .....		11,547
Insurance fees .....		11,468
Custody fees .....		5,889
Shareholder reporting fees .....		5,032
Interest .....		<u>1,805</u>
Total expenses .....		<u>109,710</u>
Net investment loss .....		<u>(83,504)</u>

#### Net Realized and Unrealized Gain (Loss):

Net realized gain on investments .....		36,051
Net realized gain on affiliated issuers .....		1,408,854
Net change in unrealized appreciation/depreciation on investments .....		<u>(350,520)</u>
Net realized and unrealized gain on investments and affiliated issuers .....		<u>1,094,385</u>

**Net Increase in Net Assets from Operations** ..... \$ 1,010,881

*See accompanying Notes to Financial Statements.*

# RENN FUND, INC.

## STATEMENTS OF CHANGES IN NET ASSETS

	<b>For the Six Months Ended June 30, 2018 (Unaudited)</b>	<b>For the Year Ended December 31, 2017</b>
<b>INCREASE (DECREASE) IN NET ASSETS FROM</b>		
<b>Operations</b>		
Net investment loss .....	\$ (83,504)	\$ (377,828)
Net realized gain on investments and affiliated issuers .....	1,444,905	189,396
Net change in unrealized appreciation/depreciation on investments .....	<u>(350,520)</u>	<u>(604,980)</u>
<b>Net increase (decrease) resulting from operations</b> .....	<u>1,010,881</u>	<u>(793,412)</u>
<b>Net Assets</b>		
Beginning of period .....	<u>6,545,572</u>	<u>7,338,984</u>
End of period .....	<u>\$ 7,556,453</u>	<u>\$ 6,545,572</u>
Accumulated undistributed net investment income (loss) .....	<u>\$ (83,504)</u>	<u>\$ —</u>

*See accompanying Notes to Financial Statements.*



# RENN FUND, INC.

## STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 (UNAUDITED)

---

### Increase/(Decrease) in Cash:

Cash flows provided by (used for) operating activities:

Net decrease in net assets resulting from operations .....	\$	1,010,881
Adjustments to reconcile net decrease in net assets from operations to net cash used for operating activities:		
Purchase of short-term investment .....		(9,165,635)
Sale of short-term investment .....		6,971,314
Change in money market funds, net .....		(1,279,588)
Purchase of investment securities .....		(437,317)
Proceeds from sale of investment securities .....		1,921,636
Increase in investments securities sold .....		(27,308)
Increase in dividends and interest receivables .....		(2,960)
Decrease in prepaid expenses and other assets .....		11,468
Decrease in investment securities purchased payable .....		(1,480,435)
Decrease in accrued expenses .....		(15,474)
Net change in unrealized appreciation/depreciation on securities .....		350,520
Net realized gain on investments .....		(1,444,905)
Net amortization on investments .....		(1,873)

Net cash used for operating activities ..... (3,589,676)

Cash flows provided by financing activities:

Borrowings from margin account .....		10,654,757
Payments on margin account .....		<u>(6,970,847)</u>
Net cash provided by financing activities .....		<u>3,683,910</u>

Net increase in cash ..... 94,234

Cash and cash equivalents:

Beginning cash balance .....		—
Beginning cash held at broker .....		<u>205,936</u>
Total beginning cash and cash equivalents .....		205,936
Ending cash balance .....		170
Ending cash held at broker .....		<u>300,000</u>
Total ending cash and cash equivalents .....	\$	<u><u>300,170</u></u>

*See accompanying Notes to Financial Statements.*

# RENN FUND, INC.

## FINANCIAL HIGHLIGHTS

For a capital share outstanding throughout each period

	For the Six Months Ended June 30, 2018 (Unaudited)	For the Year Ended December 31,				
		2017	2016	2015	2014	2013
<b>Net asset value, beginning of period ..</b>	\$ 1.47	\$ 1.64	\$ 1.37	\$ 2.21	\$ 2.36	\$ 2.53
<b>Income from Investment Operations:</b>						
Net investment loss <sup>1</sup> .....	(0.02)	(0.08)	(0.17)	(0.10)	(0.12)	(0.14)
Net realized and unrealized gain (loss) on investments .....	0.24	(0.09)	0.44	(0.74)	(0.03)	(0.03)
Total from investment operations ...	0.22	(0.17)	0.27	(0.84)	(0.15)	(0.17)
<b>Net asset value, end of period .....</b>	\$ 1.69	\$ 1.47	\$ 1.64	\$ 1.37	\$ 2.21	\$ 2.36
<b>Per-share market value, end of period .....</b>	\$ 1.53	\$ 1.50	\$ 1.22	\$ 0.90	\$ 1.30	\$ 1.45
<b>Total net asset value return<sup>2</sup> .....</b>	14.97% <sup>(4)</sup>	(10.37%)	19.71%	(38.01%)	(6.36%)	(6.72%)
<b>Total market value return<sup>2</sup> .....</b>	1.73% <sup>(4)</sup>	22.95%	35.56%	(30.77%)	(10.34%)	2.11%
<b>Ratios and Supplemental Data</b>						
Net assets, end of period (in thousands) .....	\$ 7,556	\$ 6,546	\$ 7,339	\$ 6,120	\$ 9,857	\$ 10,539
Ratio of expenses to average net assets .....	3.23% <sup>(5)</sup>	5.99% <sup>(3)</sup>	12.16% <sup>(3)</sup>	5.57% <sup>(3)</sup>	4.86% <sup>(3)</sup>	5.47% <sup>(3)</sup>
Ratio of net investment loss to average net assets .....	(2.46%) <sup>(5)</sup>	(5.60%) <sup>(3)</sup>	(12.01%) <sup>(3)</sup>	(5.55%) <sup>(3)</sup>	(4.86%) <sup>(3)</sup>	(5.11%) <sup>(3)</sup>
Portfolio turnover rate .....	10% <sup>(4)</sup>	7%	72%	9%	0%	43%

(1) Based on average shares outstanding for the period.

(2) Total net asset value return measures the change in net asset value per share over the period indicated. Total market value return is computed based upon the Fund's unrounded New York Stock Exchange market price per share and excludes the effects of brokerage commissions. Dividends and distributions are assumed, for purposes of these calculations, to be reinvested at prices obtained under the Fund's dividend reinvestment plan.

(3) Average net assets have been calculated based on monthly valuations.

(4) Not Annualized.

(5) Annualized.

See accompanying Notes to Financial Statements.

# RENN FUND, INC.

## NOTES TO FINANCIAL STATEMENTS

### AS OF JUNE 30, 2018 (UNAUDITED)

---

#### **Note 1 – Organization**

RENN Fund, Inc. (the “Fund”), is a registered, non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the “1940 Act”).

The Fund, a Texas corporation, was organized and commenced operations in 1994 and is registered under and pursuant to the provisions of Section 8(a) of the 1940 Act.

The investment objective of the Fund is to provide shareholders with above-market rates of return through capital appreciation and income by a long-term, value oriented investment process that invests in a wide variety of financial instruments, including but not limited to, common stocks, fixed income securities including convertible and non-convertible debt securities or loans, distressed debt, warrants and preferred stock, exchange traded funds and exchange traded notes, and other instruments.

Prior to a special shareholder meeting held on June 29, 2017 (the “Special Meeting”), RENN Capital Group, Inc. (“RENN Group”), a Texas corporation, served as the Investment Advisor to the Fund. At the Special Meeting, shareholders approved Horizon Asset Management LLC (“Horizon” or the “Investment Advisor”), a registered investment adviser and wholly owned subsidiary of Horizon Kinetics LLC (“Horizon Kinetics”), as its investment manager. In its capacity as investment manager through June 30, 2017, RENN Group was responsible for the selection, evaluation, structure, valuation, and administration of the Fund’s investment portfolio, subject to the supervision of the Board of Directors. Since that time, Horizon has been responsible for the aforementioned responsibilities.

#### **Note 2 – Accounting Policies**

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from these estimates.

The Fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standard Codification Topic 946 “Financial Services-Investment Companies”.

##### **(a) Consolidation of Subsidiary**

On December 5, 2017 The Renn Fund, Inc. (Cayman) (the “Subsidiary”) was organized as a limited liability company, and is a wholly owned subsidiary of the Fund. The consolidated Schedule of Investments, Statement of Assets and Liabilities, Statement of Operations, Statements of Changes in Net Assets and Financial Highlights of the Fund include the accounts of the Subsidiary. All inter-company accounts and transactions have been eliminated in the consolidation for the Fund. The Subsidiary is advised by Horizon and acts as an investment vehicle in order to effect certain investments consistent with the Fund’s investment objectives and policies specified in the Fund’s prospectus and statement of additional information. As of June 30, 2018, total assets of the Fund were \$11,326,520, of which \$44,909, or approximately 0.40%, represented the Fund’s ownership of the Subsidiary.

##### **(b) Valuation of Investments**

All investments are stated at their estimated fair value, as described in Note 5.

##### **(c) Investment Transactions, Investment Income and Expenses**

Investment transactions are accounted for on the trade date. Realized gains and losses on investments are determined on the identified cost basis. Dividend income is recorded net of applicable withholding taxes on the ex-dividend date and interest income is recorded on an accrual basis. Withholding taxes on foreign dividends, if applicable, are paid (a portion of which may be reclaimable) or provided for in accordance with the applicable country’s tax rules and rates and are disclosed in the Statement of Operations. Withholding tax reclaims are filed in certain countries to recover a portion of the amounts previously withheld. The Fund records a reclaim receivable based on a number of factors, including a jurisdiction’s legal obligation to pay reclaims as well as payment history and market convention. Discounts or premiums on debt securities are accreted or amortized to interest income over the lives of the respective securities using the effective interest method.

# RENN FUND, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AS OF JUNE 30, 2018 (UNAUDITED)

---

### **(d) Federal Income Taxes**

The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its net investment income and any net realized gains to its shareholders. Therefore, no provision is made for federal income or excise taxes. Due to the timing of dividend distributions and the differences in accounting for income and realized gains and losses for financial statement and federal income tax purposes, the fiscal year in which amounts are distributed may differ from the year in which the income and realized gains and losses are recorded by the Fund.

*Accounting for Uncertainty in Income Taxes* (the “Income Tax Statement”) requires an evaluation of tax positions taken (or expected to be taken) in the course of preparing a Fund’s tax returns to determine whether these positions meet a “more-likely-than-not” standard that, based on the technical merits, have a more than fifty percent likelihood of being sustained by a taxing authority upon examination. A tax position that meets the “more-likely-than-not” recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations.

The Income Tax Statement requires management of the Fund to analyze tax positions taken in the prior three open tax years, if any, any tax positions expected to be taken in the Fund’s current tax year, as defined by the IRS statute of limitations for all major jurisdictions, including federal tax authorities and certain state tax authorities. As of and during the open tax years ended December 31, 2015-2017, and as of and during the six months ended June 30, 2018, the Fund did not have a liability for any unrecognized tax benefits. The Fund has no examination in progress and is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

### **(e) Distributions to Shareholders**

The Fund will make distributions of net investment income and capital gains, if any, at least annually. Distributions to shareholders are recorded on the ex-dividend date. The amount and timing of distributions are determined in accordance with federal income tax regulations, which may differ from GAAP.

The character of distributions made during the year from net investment income or net realized gains may differ from the characterization for federal income tax purposes due to differences in the recognition of income, expense and gain (loss) items for financial statement and tax purposes.

### **(f) Short-Term Investments**

The Fund invested a significant amount (45.79% of its net assets as of June 30, 2018) in the Fidelity Institutional Government Portfolio Fund (“FRGXX”). FRGXX normally invests at least 99.5% of assets in U.S. government securities and repurchase agreements for those securities. FRGXX invests in compliance with industry-standard regulatory requirements for money market funds for the quality, maturity, and diversification of investments. An investment in FRGXX is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although FRGXX seeks to preserve the value of investment at \$1.00 per share, it is possible to lose money by investing in FRGXX.

FRGXX files complete Semi-Annual and Annual Reports with the U.S. Securities and Exchange Commission for semi-annual and annual periods of each fiscal year on Form N-CSR. The Forms N-CSR are available on the website of the U.S. Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov), and may also be viewed and copied at the Commission’s Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The net expense ratio per the March 31, 2018 annual report of Fidelity Institutional Government Portfolio Fund was 0.14%.

## **Note 3 – Principal Investment Risks**

Investing in common stocks and other equity or equity-related securities has inherent risks that could cause you to lose money. Some of the principal risks of investing in the Fund are listed below and could adversely affect the net asset value (“NAV”), total return and value of the Fund and your investment. These are not the only risks associated with an investment in the Fund. Rather, the risks discussed below are certain of the significant risks associated with the investment strategy employed by the Fund. The below does not discuss numerous other risks associated with an investment in the Fund, including risks associated with investments in non-diversified, closed-end registered investment funds generally, other business, operating and tax risks associated with an investment in the Fund, and economic and other risks affecting investment markets generally, all of which are beyond the scope of this discussion.

# RENN FUND, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AS OF JUNE 30, 2018 (UNAUDITED)

---

*Liquidity Risks:* The Investment Advisor may not be able to sell portfolio securities at an optimal time or price. For example, if the Fund is required or the advisor deems it advisable to liquidate all or a portion of a portfolio security quickly, it may realize significantly less than the value at which the investment was previously recorded.

*Private Issuer Risks:* In addition to the risks associated with small public companies, limited or no public information may exist about private companies, and the Fund will rely on the ability of our Investment Advisor to obtain adequate information to evaluate the potential returns from investing in these companies. If the Investment Advisor is unable to uncover all material information about these companies, the Fund may not make a fully informed investment decision and may lose money on the investment.

*Interest Rate Risk:* When interest rates increase, any fixed-income securities held by the Fund may decline in value. Long-term fixed-income securities will normally have more price volatility because of this risk than short-term fixed-income securities. The negative impact on fixed-income securities from the resulting rate increases for that and other reasons could be swift and significant.

*Leveraging Risks:* Investments in derivative instruments may give rise to a form of leverage. The Investment Advisor may engage in speculative transactions which involve substantial risk and leverage. The use of leverage by the Investment Advisor may increase the volatility of the Fund. These leveraged instruments may result in losses to the Fund or may adversely affect the Fund's NAV or total return, because instruments that contain leverage are more sensitive to changes in interest rates. The Fund may also have to sell assets at inopportune times to satisfy its obligations in connection with such transactions.

*Distressed Debt Risks:* An investment in distressed debt involves considerable risks, including a higher risk of nonpayment by the debtor. The Fund may incur significant expenses seeking recovery upon default or attempting to negotiate new terms. Furthermore, if one of our portfolio companies were to file for bankruptcy protection, a bankruptcy court might re-characterize the debt held by the Fund and subordinate all or a portion of the Fund's claim to claims of other creditors, even, in some cases, if the investment is structured as senior secured debt. The bankruptcy process has a number of significant inherent risks, including substantially delays and the risk of loss of all or a substantial portion of the Fund's investment in the bankrupt entity.

*Bitcoin Risk:* The value of the Fund's investment in the Bitcoin Investment Trust is subject directly to fluctuations in the value of bitcoins. The value of bitcoins is determined by the supply of and demand for bitcoins in the global market for the trading of bitcoins, which consists of transactions on electronic bitcoin exchanges ("Bitcoin Exchanges"). Pricing on Bitcoin Exchanges and other venues can be volatile and can adversely affect the value of the Bitcoin Investment Trust. Currently, there is relatively small use of bitcoins in the retail and commercial marketplace in comparison to the relatively large use of bitcoins by speculators, thus contributing to price volatility that could adversely affect the Fund's direct investment in the Bitcoin Investment Trust. Bitcoin transactions are irrevocable, and stolen or incorrectly transferred bitcoins may be irretrievable. As a result, any incorrectly executed bitcoin transactions could adversely affect the value of the Fund's direct or indirect investment in the Bitcoin Investment Trust. Shares of the Bitcoin Investment Trust may trade at a premium or discount to the net asset value of the Bitcoin Investment Trust.

### **Note 4 – Investment Advisory Agreement**

The Fund entered in to an Investment Advisor Agreement (the "Agreement") with Horizon. Under the Agreement, Horizon is not paid an advisory fee on net assets less than \$25 million and thereafter will charge a management fee of 1.0% on net assets above \$25 million. Horizon performs certain services, including certain management, investment advisory and administrative services necessary for the operation of the Fund.

### **Note 5 – Fair Value Measurements**

Investments are carried at fair value, as determined in good faith by Horizon, subject to the approval of the Fund's Board of Directors. The fair values reported are subject to various risk including changes in the equity markets, general economic conditions, and the financial performance of the companies. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is possible that the amounts reported in the accompanying financial statements could change materially in the near term.

# RENN FUND, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AS OF JUNE 30, 2018 (UNAUDITED)

The Fund generally invests in common securities, preferred securities, convertible and nonconvertible debt securities, and warrants. These securities may be unregistered and thinly-to-moderately traded. Generally, the Fund negotiates registration rights at the time of purchase and the portfolio companies are required to register the shares within a designated period, and the cost of registration is borne by the portfolio company.

On a daily basis, as is necessary, Horizon prepares a valuation to determine fair value of the investments of the Fund. The Board of Directors approves the valuation on a quarterly basis. Interim board involvement may occur if material issues arise before quarter end. The valuation principles are described below.

Unrestricted common stock of companies listed on an exchange, such as the NYSE or NASDAQ, or in the over-the-counter market is valued at the closing price on the date of valuation. Thinly traded unrestricted common stock of companies listed on an exchange, such as the NYSE or NASDAQ, or in the over-the-counter market is valued at the closing price on the date of valuation, less a marketability discount as determined appropriate by the Fund Managers and approved by the Board of Directors.

Restricted common stock of companies listed on an exchange, such as the NYSE or NASDAQ, or in the over-the-counter market is valued based on the quoted price for an otherwise identical unrestricted security of the same issuer that trades in a public market, adjusted to reflect the effect of any significant restrictions.

The unlisted preferred stock of companies with common stock listed on an exchange, such as the NYSE or NASDAQ, or in the over-the-counter market is valued at the closing price of the common stock into which the preferred stock is convertible on the date of valuation.

Debt securities are valued at fair value. The Fund considers, among other things, whether a debt issuer is in default or bankruptcy. It also considers the underlying collateral. Fair value is generally determined to be the greater of the face value of the debt or the market value of the underlying common stock into which the instrument may be converted.

The unlisted in-the-money options or warrants of companies with the underlying common stock listed on an exchange, such as the NYSE or NASDAQ, or in the over-the-counter market are valued at fair value (the positive difference between the closing price of the underlying common stock and the strike price of the warrant or option). An out-of-the money warrant or option has no value; thus the Fund assigns no value to it.

Investments in privately held entities are valued at fair value. If there is no independent and objective pricing authority (i.e., a public market) for such investments, fair value is based on the latest sale of equity securities to independent third parties. If a private entity does not have an independent value established over an extended period of time, then the Investment Advisor will determine fair value on the basis of appraisal procedures established in good faith and approved by the Board of Directors.

The Fund follows the provisions of Accounting Standards Codification ASC 820, *Fair Value Measurements*, under which the Fund has established a fair value hierarchy that prioritizes the sources (“inputs”) used to measure fair value into three broad levels: inputs based on quoted market prices in active markets (Level 1 inputs); observable inputs based on corroboration with available market data (Level 2 inputs); and unobservable inputs based on uncorroborated market data or a reporting entity’s own assumptions (Level 3 inputs).

The following table shows a summary of investments measured at fair value on a recurring basis classified under the appropriate level of fair value hierarchy as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Convertible Bonds .....	\$ —	\$ —	\$ —	\$ —
Common Equities .....	3,807,427	—	—	3,807,427
U.S. Government and Agencies .....	—	3,684,582	—	3,684,582
Money Market Funds .....	3,459,756	—	—	3,459,756
<b>Total Investments</b> .....	<u>\$ 7,267,183</u>	<u>\$ 3,684,582</u>	<u>\$ —</u>	<u>\$ 10,951,765</u>

# RENN FUND, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2018 (UNAUDITED)

Following is a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining value:

	Value
Beginning balance December 31, 2017 .....	\$ 2,117,589
Transfers into Level 3 during the period .....	—
Change in unrealized appreciation/(depreciation) .....	(1,604,806)
Total realized gain/(loss) .....	1,408,854
Purchases .....	—
Sales .....	(1,921,637)
Return of capital distributions .....	—
Transfers out of Level 3 during the period .....	—
Ending balance June 30, 2018 .....	<u>\$ —</u>

The Fund has adopted a policy of recording any transfers of investment securities between the different levels in the fair value hierarchy as of the end of the year unless circumstances dictate otherwise. There were no transfers between levels during the six months ended June 30, 2018.

### Note 6 – Investments in Affiliated Issuers

An affiliated issuer is an entity in which the Fund has ownership of at least 5% of the voting securities, or where the Fund has a director on the issuer's board. In this instance, affiliation is based on the fact that Russell Cleveland served as a director for both the Fund and AnchorFree, Inc. during the period. As of June 30, 2018 Mr. Cleveland no longer serves as a director for AnchorFree, Inc. Issuers that are affiliates of the Fund at period-end are noted in the Fund's Schedule of Investments. Additional security purchases and the reduction of certain securities shares outstanding of existing portfolio holdings that were not considered affiliated in prior years may result in the Fund owning in excess of 5% of the outstanding shares at period-end. The table below reflects transactions during the period with entities that are affiliates as of June 30, 2018 and may include acquisitions of new investments, prior year holdings that became affiliated during the period and prior period affiliated holdings that are no longer affiliated as of period-end.

Name of Issuer and Title of Issue	Value Beginning of Period	Purchases	Sales Proceeds	Net Realized Gain (Loss)	Change in Unrealized Appreciation (Depreciation)	Value End of Period
AnchorFree, Inc. Series A						
Convertible Preferred A Equity	\$ 1,989,443	\$ —	(\$1,805,349)	\$ 1,385,537	\$(1,569,631)	\$ —
AnchorFree, Inc.						
Common Stock .....	128,146	—	(116,288)	23,317	(35,175)	—
Total .....	<u>\$ 2,117,589</u>	<u>—</u>	<u>(1,921,637)</u>	<u>1,408,854</u>	<u>\$(1,604,806)</u>	<u>\$ —</u>

# RENN FUND, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AS OF JUNE 30, 2018 (UNAUDITED)

Name of Issuer and Title of Issue	Shares Beginning of Period	Purchases	Sales Proceeds	Stock Split	Shares End of Period
AnchorFree, Inc. Series A					
Convertible Preferred A Equity .....	233,229	—	(233,229)	—	—
AnchorFree, Inc.					
Common Stock .....	15,023	—	(15,023)	—	—
Total .....	<u>248,252</u>	<u>—</u>	<u>(248,252)</u>	<u>—</u>	<u>—</u>

### Note 7 – Federal Income Tax Information

At June 30, 2018, gross unrealized appreciation and depreciation on investments owned by the Fund, based on cost for federal income tax purposes, were as follows:

Cost of Investments .....	<u>\$ 19,619,386</u>
Gross Unrealized Appreciation .....	\$ 1,520,818
Gross Unrealized Depreciation .....	<u>(10,188,439)</u>
Net Unrealized Depreciation .....	<u>\$ (8,667,621)</u>

The difference between cost amounts for financial statement and federal income tax purposes is due primarily to timing differences in recognizing certain gains and losses in security transactions.

As of December 31, 2017, the components of accumulated earnings (deficit) on a tax basis were as follows:

Undistributed ordinary income .....	\$ —
Undistributed long-term capital gains .....	<u>—</u>
Tax accumulated earnings .....	—
Accumulated capital and other losses .....	(14,889,633)
Net unrealized appreciation on investments .....	<u>(8,317,101)</u>
Total accumulated earnings .....	<u>\$ (23,206,734)</u>

As of December 31, 2017, the Fund had accumulated capital loss carryforwards as follows:

For losses expiring December 31,	
2018 .....	\$ 97,082
Not subject to expiration:	
Short-term .....	230,361
Long-term .....	<u>14,562,190</u>
	<u>\$ 14,889,633</u>

To the extent that a fund may realize future net capital gains, those gains will be offset by any of its unused capital loss carryforward. Future capital loss carryforward utilization in any given year may be subject to Internal Revenue Code limitations. During the year ended December 31, 2017, the Fund utilized \$190,665 of capital loss carryforwards. During the year ended December 31, 2017, the Fund had capital loss carryforwards of \$9,002,277 expire.



# RENN FUND, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AS OF JUNE 30, 2018 (UNAUDITED)

---

There were no distributions during the years ended December 31, 2017 and 2016

### **Note 8 – Investment Transactions**

For the six months ended June 30, 2018, purchases and sales of investments, excluding short-term investments, were \$437,317 and \$1,921,636, respectively

### **Note 9 – Borrowings**

The Fund has entered into a margin agreement with Fidelity Brokerage Services, LLC, which allows the Fund to borrow money. The margin agreement is not made for any specific term or duration but is due and payable at the brokerage firm's discretion. The Fund has a policy allowing it to borrow not more than 33% of the Fund's Net Asset Value as of the time of borrowing for purposes of taking advantage of investments deemed to be in the best interest of the Fund or to borrow such amounts as deemed necessary and prudent as a temporary measure for extraordinary or emergency purposes. Federal regulations under the 1940 Act require that the Fund maintain asset coverage in relation to any borrowed amount.

The average interest rate, average loan balance, maximum outstanding and amount recorded as interest expense for the Fidelity Brokerage Services LLC margin account for the 14 days the Fund had outstanding borrowings were 1.80%, \$2,581,873, \$3,683,910 and \$1,805, respectively. At June 30, 2018 the Fund had borrowings of \$3,683,910 outstanding under the margin account.

### **Note 10 – Indemnifications**

In the normal course of business, the Fund enters into contracts that contain a variety of representations which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund expects the risk of loss to be remote.

### **Note 11 – Related Party Transactions**

In 2009, Russell Cleveland received options to purchase 100,000 common shares of AnchorFree, Inc., at \$0.3971 per share, as compensation for financial advisory services provided to AnchorFree, Inc. prior to Mr. Cleveland's joining the board. In accordance with the agreement between the Fund and Mr. Cleveland, the Fund received 15,023 shares at no cost when the options were exercised on January 2, 2016. Russell Cleveland disclaims any beneficial ownership in the Fund's portion.

There were no similar related party transactions during 2018. During the six months ended June 30, 2018, the Fund sold all of its holdings in AnchorFree, Inc. in the ordinary course of business through an involuntary corporate action.

### **Note 12 – Events Subsequent to the Fiscal Period End**

The Fund has adopted financial reporting rules regarding subsequent events which require an entity to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet. Management has evaluated the Fund's related events and transactions that occurred through the date of issuance of the Fund's financial statements. There were no events or transactions that occurred during this period that materially impacted the amounts or disclosures in the Fund's financial statements.

# RENN FUND, INC.

## OTHER INFORMATION

### JUNE 30, 2018 (UNAUDITED)

---

#### **Quarterly Reports**

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (“SEC”) for the first and third quarters of each fiscal year on Form N-Q. A copy of each such Form N-Q is available on the SEC’s website at [www.sec.gov](http://www.sec.gov). Such forms may also be reviewed and copied at the SEC Public Reference Room in Washington, D.C., and you may call the Public Reference Room at 1-800-SEC-0330 for information on its hours, etc.

#### **Proxy Voting Policies and Procedures**

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available, upon request by calling collect (646) 495-7330. You may also obtain the description on the Fund’s website at [www.horizonkinetics.com](http://www.horizonkinetics.com)

#### **Portfolio Proxy Voting Records**

The Fund’s record of proxy voting regarding portfolio securities is presented each year for the 12-month period ended June 30. It is filed with the SEC on Form N-PX and is available by calling collect (646) 495-7330 and on the SEC’s website at [www.sec.gov](http://www.sec.gov).

#### **Dividend Reinvestment Plan**

Pursuant to the Fund’s Dividend Reinvestment and Cash Purchase Plan (the “Plan”), a stockholder whose shares are registered in his or her own name will be deemed to have elected to have all dividends and distributions automatically reinvested in Fund shares unless he or she elects otherwise on a current basis. Stockholders whose shares are held in nominee names will likewise be treated as having elected to have their dividends and distributions reinvested. You may elect to receive cash distributions, net of withholding tax, by requesting an election form from the Fund’s Plan Agent, American Stock Transfer & Trust Co. You may terminate participation by notifying the Plan Agent in writing. If notice is received by the Plan Agent not less than 10 days prior to any dividend or distribution it will be effective immediately. Information regarding income tax consequences should be directed to your tax consultant – the Plan will furnish information by January 31 following the year of distribution as to the category of income that the distributions represent. Your questions regarding the Plan should be directed to the Fund’s Plan Agent, American Stock Transfer & Trust Company, LLC., whose telephone number is (718) 921-8200 extension 6412 and whose address is 6201 15th Ave, Brooklyn, NY 11219-5498.

RENN FUND, INC.  
SERVICE PROVIDERS  
JUNE 30, 2018 (UNAUDITED)

---

**Corporate Offices**

RENN Fund, Inc.  
c/o Horizon Asset Management LLC  
470 Park Avenue South  
New York, NY 10016  
Phone: (646) 495-7330  
Fax: (646) 403-3597  
Website: www.horizonkinetics.com

**Registrar and Transfer Agent**

American Stock Transfer &  
Trust Company, LLC  
6201 15th Ave.  
Brooklyn, NY 11219  
Phone: (718) 921-8200 extension 6412

**Fund Administrator**

UMB Fund Services  
235 W. Galena Street  
Milwaukee, WI 53212-3949  
Phone: (414) 299-2200

**Independent Registered Public Accounting Firm**

Tait, Weller & Baker LLP  
1818 Market Street, Suite 2400  
Philadelphia, PA 19103  
Phone: (215) 979-8800

